GENERAL

1. Swedish views on Korean question--Swedish UN delegate Grafstrom has informed the US delegation that Sweden will vote for the six-power General Assembly resolution calling for the withdrawal of Chinese Communists from Korea. Grafstrom expressed the view that the situation today indicated the necessity for a showdown with the USSR and that it was important to get on with the GA resolution as soon as possible and to demonstrate by an overwhelming vote that it is not merely the US, but the UN, which opposes aggression. Grafstrom's talks with General Wu have convinced him that it was futile to expect anything to come of such conversations; he also considers it useless to transmit messages to Peiping through India or any Asiatic group.

2. Chinese to support rebel offensive in Indochina--

US Legation Saigon notes a perceptible increase in Chinese Communist propaganda efforts during the past month among overseas Chinese in the Saigon-Cholon district. The Legation points to a heavy influx of Chinese agents from Viet Minh-held areas and China proper, as well as to an increase in the number and an improvement in the quality of Communist tracts and handbills. Although local French authorities believe this mounting propaganda offensive is designed to prepare an effective fifth column in the event of overt Chinese invasion, the Legation estimates that the local Chinese will move only after the "path has been blazed by others."

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3. US prestige in Middle East deteriorates--US Ambassador Caffery in Cairo reports that US prestige in the Middle East has taken an "ominous tumble" as a result of the turn of events in Korea, with the literate public blaming MacArthur for crossing the 38th Parallel and "walking into a baited trap." Caffery attributes the present confusion and criticism of the US primarily to the fact that the reading population have always assumed that the US would save them by force of arms if the USSR moved in their direction; they are now losing that hope and do not know what to do about it.

EUROPE

4. GERMANY: Views on German morale--At a recent meeting of the High Commission Council, US High Commissioner McCloy stressed the rapidly deteriorating German and European morale resulting from the present period of indecision. McCloy predicted that unless something were done rapidly, the Schuman Plan would collapse, all efforts to build a reasonable defense would be frustrated, the Communist infiltration program would have greater success and "neutralism" would grow. McCloy also concurred with his British and French colleagues in decrying the recent London announcement regarding German rearmament on the grounds that it took the form of a series of restrictions to be imposed on German participation. McCloy believes that Adenauer cannot be expected to carry out an affirmative rearmament program if the Germans are led to believe that the Western Powers are merely transmitting a predetermined set of restrictions, without having consulted the Germans.

5. AUSTRIA: Uneasiness regarding Soviet intentions--In a conversation with US Minister Donnelly, a leader of the Austrian Socialist Party reflected the deep-seated uneasiness now characteristic of Austrian leaders. The Socialist official seemed no longer to doubt that war is coming, but did remain hopeful that the ultimate decision can be postponed until the West is stronger. Although he did not believe that the USSR would move in Austria unless it intended to unleash general war, he expressed concern that the USSR might at any time decide to overthrow the Austrian Government through the local Communist Party and then assume full political control of the Soviet Zone.

NEAR EAST-AFRICA

6. INDIA: Analysis of Nehru's present foreign policy--US Ambassador Henderson, in an analysis of the recent parliamentary debate on foreign affairs, expresses the view that Nehru consciously endeavored to show as much friendliness towards the US as was possible within the framework of his present foreign policies. Henderson gained the impression that in disputes between Communist China and the Western Powers involving Korea and "related problems" the Government of India, although formally not taking sides, would be more sympathetic to Communist China than to the Western Powers. On the other hand, Nehru indicated that he would be firm in dealing with problems which were primarily between India and China. Henderson notes that in comparison with the debates of last July the Indian Parliament appeared more friendly toward the Western Powers and in general was more favorably inclined than the Government towards cooperation with the US and the West.

THE AMERICAS

7. PERU: Disposition of Haya still in doubt--Peruvian Foreign Minister Gallagher has informed US Embassy Lima that on further consideration he had come to the conclusion that nothing would come of resubmitting the case of Haya de la Torre to the International Court of Justice. The Embassy gained the impression, however, that Gallagher had not excluded such a solution entirely, and commented that the "whole situation remains in a parlous state."